

THE HIGH TECH TRIBUNE

The Path to Prosperity The Stock Market Option

Ahmed Abu-Hajar, Ph.D.

In an age of instant gratification and social media glorification, the path to prosperity and wealth requires clarity, discipline, patience, and informed decision making. Wealth growth comes by aligning financial habits with long-term goals. It starts by earning consistently, saving deliberately, investing wisely, and allowing time to compound the results. There are countless avenues to build wealth ranging from entrepreneurship and real estate to creative ventures and innovations. Each path demands its own mix of vision, effort, and risk. Investing in the stock market equities stands out as one as most accessibility and scalable and diversified ways to generate wealth. Stock market equity investments is most democratic engine of wealth creation allowing ordinary individuals to participate in the growth of extraordinary companies. This article explores how understanding the stock market and mastering its principles can turn disciplined investing into a lifelong strategy for financial independence. This article serves only as an educational tool. *Please refer to the legal disclaimer section at the end of this article.*

Prior General Knowledge

Before you start investing, you need to have some basic general knowledge that are required. Please visit the following link for more information. The investor.gov has an excellent overview of



the multiple investment options. You may follow this link: <https://www.investor.gov/introduction-investing>

A- Financial knowledge: When investing in the stock market, financial knowledge is more valuable than money itself. For beginners, financial literacy is the compass that guides you to make educated decisions. Investing in the stock market goes beyond price movements, volatility and media noise. Understanding how market functions, being able to read earnings reports, utilizing valuation metrics and handling risks are more vital to building your wealth. Without a foundation in financial knowledge, even the most promising opportunities can turn into costly lessons. The difference between speculation and investing lies in comprehension: Not only do you need to know what stock you are buying, but also why you are buying it.

B- Knowledge in business operation: Every business is a living organization,

and to survive depends on how well it runs its operations. The investor must go beyond just analyzing financial ratios; he must understand the mechanisms that drive the business. The investor must have a grasp of the fundamentals of the business operations; from research and development processes that fuels innovation, to marketing strategies that build demand, to sales processes that convert that demand into revenue. Manufacturing efficiency, supply chain reliability, and managerial competence often determine whether a company sustains growth or erodes under pressure. By understanding how products are created, promoted, and delivered, investors can better judge not just what a company earns, but how and why it earns it. Thus, turning surface-level investments into informed ownership.



C- Technical Knowledge of Companies that You Invest in: Successful equity investing goes beyond reading balance sheets, but it requires understanding of the business itself. A well-informed

investor should grasp the technical and operational realities behind the companies he is buying. Investing in a software firm without understanding the fundamentals of software development, or in a pharmaceutical company without insight into the drug discovery and approval process, is like navigating without a map. The same applies to restaurants, manufacturers, or energy producers. Each industry has its own value drivers, risks, and performance indicators. Technical knowledge doesn't mean being an expert, but it does mean knowing enough to evaluate how a company truly creates value. In the stock market, the more you understand what a company does, the more confidently you can judge what its stock is worth.

D- The stock market: The stock exchange market, such as NASDAQ or NYSE, is where companies' shares are bought, exchanged and sold to the public in real time. A company's share (or stock) represents a fractional unit of ownership to that company. It is a legal claim on its assets, earnings, and voting rights. The company must go through initial public offering (IPO) first, before being listed in the market and being traded. IPO is a rigorous process that goes under extreme scrutiny by regulatory authorities such as the U.S. Securities and Exchange Commission (SEC), and IPOs are backed up by investment banks as underwriters. Once a company is listed, its shares are bought and sold in the secondary market, where investors exchange ownership through regulated brokers and digital trading platforms. Prices are determined continuously by supply and demand, as buyers place bids and sellers post offers. The intersection of these orders sets the market price. Behind every trade lies clearinghouses and custodians that ensure liquidity, settlement, and transparency. This system allows investors to enter or exit positions instantly, making equity markets one of the most efficient and dynamic mechanisms for capital allocation in the global economy.

E- The essence of shares pricing: The most basic principle of making money in the stock market money is *buy-low sell-high*. To make profit, the investor must sell shares at higher than the buying price. The investor anticipates the share price will increase from the buying price. However, it does not always go that way. Sometimes, the share price will go down and will remain down, indefinitely. Other times, the company may bankrupt. If so, the share price would often go down to zero and lenders would own available remaining assets, leaving shareholders with nothing.

F- The need for vision and investing plan: Before buying the first share or opening a brokerage account, every successful investor starts with a vision. The vision is a clear understanding of why you are investing and what you are aiming to achieve. A long-term vision turns short-term volatility into opportunity, and a structured plan transforms saving into strategy. Without that vision and planning investing becomes speculation which leads to high-risk gambling. Start by making realistic goals, and then you need to build a plan on how to achieve those goals.

Factors Affects the Stock Price

In the following, we will list factors that affect share price of a given company that the investor must be aware of. In general, those factors are divided into intrinsic factors, industry specific factors, macroeconomic factors, market sentiments, and trading factors.

A- Intrinsic factors: The intrinsic factors (or the fundamentals) of a company are factors that determine the real value of the company. They provide quantitative values that lead to current company's performance and prediction over time. A public company is required to file a quarterly earnings report SEC Form 10-Q as well as an annual report SEC Form 10-k to the public and US Securities and Exchanges Commissioner (SEC). The

quarterly earnings report includes a summary of financial performance (business fundamentals), including an income statement, balance sheet, and cash flow statement for a given quarter. The annual report is a comprehensive yearly publication that includes performance of the past year, letters from leadership, detailed financial statements, and information of futuristic plans and activities. The investor must read those reports to determine the real value of a company over time. Some of those fundamental values are listed in the following:

1. **Revenue:** Revenue is the total income that is generated by selling products and services. It provides income for total costs, interests and profits.

2. **Earnings:** Which are the net income or profit; Earnings are found at the bottom of the income statement. It represents the total profit for the reporting period after all expenses, taxes, and costs have been deducted from its revenue.

Expenses: Expenses refer to the costs during normal operations to generate revenue. The primary types of reported expenses typically include:

- **Cost of goods sold:** Direct costs attributable to the production of goods and services, such as raw materials, direct labor, and direct overhead.
- **Operational expenses:** Indirect costs associated with the day-to-day running of the business. These are often categorized further into:
 - **General and administrative expenses:** Include salaries for administrative staff, rent, utilities, advertising, marketing, and office supplies.
 - **Research and development (R&D) expenses:** Costs incurred for innovation and the development of new products or services.
 - **Depreciation and amortization costs:** The allocation of the cost of tangible and intangible assets over their useful lives.

- **Non-Operating expenses:** Costs not directly related to the company's core operations, such as interest expense on debt and income taxes.

Companies are required to provide a Management's Discussion and Analysis where they explain the reasons for material changes in expense items between periods. This analysis helps investors understand the drivers of the company's financial performance.

3. Earnings per share (EPS): EPS represents the portion of a company's net income allocated to each outstanding share of common stock. Two primary types of EPS are presented in income statement:

Basic EPS: Which is the total income after paying any preferred stock dividend divided by the weighted-average number of shares.

$$\text{Basic EPS} = \frac{(\text{Net Income} - \text{Preferred Dividend})}{\text{total number of shares}}$$

Diluted EPS: Which accounts for all potential common shares that could be issued through the exercise of stock options, conversion of convertible debt, or other convertible securities. The diluted EPS will always be equal to or lower than basic EPS.

4. Dividend: Which is defined as a proportional distribution of a company's earnings (profits) to its shareholders. Usually, dividends are paid per share. For example, company X would pay \$0.24/share on a specified day.

Assets: Which are everything the company owns or controls that has a monetary value and is expected to provide a future economic benefit or help generate revenue. Assets include cash, inventory, accounts receivable, investments, properties, machines, equipment, purchased intellectual properties (IP). Internally developed IP such as internally developed patents and trade secrets are excluded from company's Assets.

5. Book value: Which is the residual value of a company's assets after all its liabilities have been paid off. And book value for shares is defined as the book value divided by total number of shares.

$$\text{Book Value} = \text{Assets} - \text{Liability}$$

$$\text{Book Value per share} = \frac{\text{Assets} - \text{Liability}}{\text{Number of shares}}$$

Year-over-year (yoy) Growth: The yoy growth indicates the growth of the current quarter over the same quarter in the previous year. The yoy growth provides insights to investors into the company's performance from one year to the next, which may be used to predict the company's futuristic performance. The yoy growth is calculated by the following formula

$$\text{Growth \%} = \left(\frac{\text{Current Quarter Value}}{\text{Quarter Value last Year}} - 1 \right) \times 100\%$$

6. Fundamental Ratios: Fundamental ratios such as Debits/Earnings, Earnings/Revenues, and so on provide metrics to compare the performance of a given company to other companies and sectors.

Basically, the fundamental factors give investors insights into how healthy the financial condition of a given company. An investor may extrapolate company's performance and project its futuristic performance to make an investment decision.

B- Market and industry factors: The stock price is affected by a company's particular industry. The company's particular industry and sector significantly influence investor expectations, shaping both risk perceptions and capital allocation decisions. The *growth trajectories of a particular sector*, such as the ones seen recently in artificial intelligence and semiconductors, contribute to a company's price expansion which could present buying opportunities for investors. *Competition within a particular sector* affects a company's

ability to perform. Thus, educated investors must assess competition for a given company before buying its stock. Competition within a given company directly impacts its valuation. Companies with robust brands, proprietary technologies, or cost advantages are often more appealing to investors. *Regulatory policies* such as changes to taxation, tariff, trade restrictions or environmental legislation can either enhance or diminish profitability of given sector. For example, tariff may negatively affect retail companies that heavily depend on imported goods. Another example would be investing in environmentally regulated industry such as oil drilling would be heavily affected. Finally, *technological disruption* plays a pivotal role as innovation can fundamentally reshape business models. Companies that swiftly adopt new technologies and respond to evolving consumer preferences generally are positioned for long-term success.



C- Macroeconomics factors: Stock prices don't move in isolation, but they rise and fall in synch with the broader economy. Factors such as interest rates, inflation, GDP growth, monetary policy and employment levels collectively shape stock market. Therefore, investors should adjust expectations about future profits and risk accordingly. When central banks lower interest rates, borrowing becomes cheaper, fueling corporate expansion and lifting equity valuations. Conversely, rising inflation or tightening monetary policy can diminish purchasing power and compress profit margins, thus pushing stock prices downward. Global trade dynamics, currency fluctuations, and geopolitical tensions also ripple

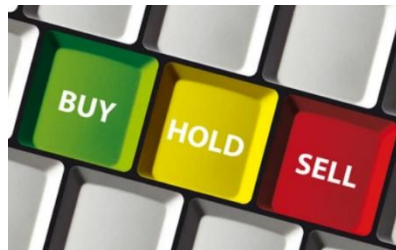
through markets, altering capital flows and investor sentiment. In essence, macroeconomics sets the backdrop against which every company operates.

E- Market sentiment & behavioral factors: While fundamentals shape long-term value, stock prices in the short term are often driven by psychology. *The collective emotions of fear, greed, and speculation* that ripple through markets affecting stocks prices. Investor confidence can send prices soaring in euphoria or plunging due to panic. The emotions effect is often outpacing the projection of a company's fundamentals. *News and media coverage* ranging from earnings announcements to executive changes or corporate scandals can rapidly shift perception, triggering sharp swings in stock prices. *Analyst ratings and forecasts* add another layer of influence, as upgrades or downgrades from major institutions can amplify momentum in either direction. *Speculative trends* detach valuations from intrinsic worth. For example, the AI boom speculation would lead high tech stocks to new highs leading to bull market; on the other hand, speculations of AI bubble and over valuations lead to dramatic overreacting price plunging due increase in tariff taxations. Together, these psychological behavioral forces remind investors that the market is not a machine of logic but a mirror of human emotion, where perception can move prices long before reality catches up.

E- Technical and trading factors: Beyond fundamentals and sentiment, stock prices are also shaped by the mechanics of trading itself. *The push and pull of the supply and demand* within the market affects the stock price. When a stock experiences a surge in trading volume, even small shifts in buying or selling pressure can drive dramatic price movements. *Institutional ownership* plays a major role as well, as large funds and asset managers control significant capital, and their collective actions can

influence both liquidity and market direction. Corporate actions like *share buybacks and secondary offerings* further affect valuation dynamics. Buybacks reduce the number of shares outstanding, often boosting earnings per share (EPS) and signaling management confidence, while new share issuances dilute existing ownership and can temper prices. These trading and structural forces operate beneath the surface of market headlines, yet they often explain the sharp moves that fundamentals alone cannot.

Buy, Hold, or Sell



At any given instant, the investor has one of three options: to buy, to hold or to sell a given stock. Deciding when to buy, hold, or sell a stock is a balance between analysis, discipline, and timing. Savvy investors buy when a company's fundamentals are strong, but its market price is undervalued. Its true potential is often during periods of temporary weakness or broad market pessimism. They hold when the company continues to perform well, earnings are growing, and long-term prospects remain intact, allowing compounding and dividends to do their work. Savvy investors sell when valuations become excessive, fundamentals deteriorate, or better opportunities emerge elsewhere. Technical indicators, such as price trends and trading volumes, may support these decisions, but the core judgment lies in comparing price to value. In the end, successful investors do not act on emotion or noise, but on conviction rooted in research. They understand that patience and timing, when aligned, turn good investments into great results.

Building Portfolio

So far, we have learned a great deal of what a company's stock means and when to buy, hold or sell a given stock. However, when it comes to investments, it is crucial to create a stock portfolio, or use an existing portfolio. A *stock portfolio* is a collection of individual stocks mixed with cash, bonds and other assets such as gold or real estate. For the collection of stocks, the investor carefully curated mix of companies that together represent their overall investment strategy. Rather than putting all their money into a single stock, investors spread their capital across multiple holdings to balance risk and reward. Each stock in the portfolio serves a purpose: some provide long-term growth, others generate dividend income, and a few may offer defensive stability during market turbulence. By diversifying across sectors and industries, investors reduce the impact of any one company's poor performance on their total wealth. A well-structured portfolio not only reflects an investor's goals and risk tolerance but also acts as a roadmap for financial progress, thus transforming scattered stock picks into a purpose-driven investment strategy.



Constructing a stock portfolio is the process of turning financial goals into a structured investment strategy. It begins with *defining the portfolio objectives*. Most common goals are seeking long-term growth, creating stable income, or preserving capital. Then the investor needs to address *risk tolerance* and *time frame*. Usually, growth stocks are more sensitive to market uncertainties; hence,

growth stocks are thus associated with higher risks. Consumer discretionary stocks are more sensitive to the overall economy such as inflation, unemployment and wages. Real estate stocks are directly impacted by the interest rates and wages. Utilities and telecommunications are more stable dividend-based stocks. Holding a portfolio for less than a year is considered to be short term, but some portfolios can be held for five years, ten years, or lifetime. When building a portfolio, *diversification* reduces the impact of any single company or sector downturn. Therefore, allocating capital across sectors, industries, and geographies reduces the impacts of downturns, and bankruptcies. When building a portfolio, careful *stock selection* is essential. Focusing on businesses with strong fundamentals, competitive advantages, and solid financial health are among the crucial factors. Once assembled, a portfolio requires *periodic review and rebalancing* to maintain its intended goals as markets shift overtime. Basically, building a portfolio is less about picking lucky stocks and more about engineering an approach that transforms investments into long-term wealth and prosperity.

In the stock market, time is the greatest ally, and emotion is the greatest enemy. Even the best investment strategy can fail if investors panic during downturns or chase rallies driven by fear of missing out. True success lies in maintaining *emotional discipline*, resisting the impulse to react to every headline or price swing. The most accomplished investors understand that wealth is built gradually

through long-term compounding, not short-term speculation. Staying invested through market cycles allows dividends to reinvest, earnings to grow, and the market's natural upward bias to reward patience. A disciplined approach is guided by research, and this helps investors navigate volatility with confidence. In the end, the difference between traders whom time the market and investors who build wealth over time is staying calm and letting time do the heavy lifting.

Retail vs. Institutional Investors



The stock market is powered by two main groups of investors: *retail investors* and *institutional investors*. Retail investors are individual participants that invest their own money through brokerage accounts. They often seek to build wealth over time or achieve personal financial goals. *Institutional investors*, on the other hand, are large organizations such as mutual funds, pension funds, hedge funds, insurance companies, and sovereign wealth funds that invest vast pools of capital on behalf of clients or members. The difference between the two lies in scale, access, and strategy. Institutions trade in massive volumes, employ teams of analysts, and often have access to sophisticated research and private market data, giving them greater influence over prices and liquidity. On the other hand, retail investors benefit from

flexibility, speed of decision-making, and a long-term focus that isn't bound by quarterly performance pressures. Together, they form the dynamic ecosystem of modern stock markets, in which large-scale strategy meets individual conviction.

How to Start



Starting your journey in the stock market begins with preparation, not prediction. The first step is to *educate yourself* to understand how markets work, how companies are valued, and how risk and reward balance over time. Next, choose a *reliable brokerage platform* that suits your needs, offering low fees, clear tools, and access to the markets you're interested in. Begin by defining your *investment goals*, whether it is long-term growth, income generation, or financial independence. Then determine how much you can invest without jeopardizing your short-term needs. New investors should start small, focusing on *diversified holdings* such as exchange-traded funds (ETFs) or well-established companies, rather than chasing quick profits. Above all, approach the market with patience and discipline, as successful investing isn't about timing the market.

My final words are to remind you to read the legal disclaimer section and good luck on your investments!

Reference:

[1] <https://www.investor.gov/introduction-investing>

Legal Disclaimer:

This article is intended for informational and educational purposes only. It does not constitute financial, investment, or professional advice. The views expressed are those of the author and do not necessarily reflect the opinions or policies of the magazine or its affiliates. Readers should not interpret any discussion of financial instruments, strategies, or examples as a recommendation to buy or sell any particular investment. Investing involves risks, including the potential loss of principal. Before making any financial decisions, readers are encouraged to consult with a qualified financial advisor or other licensed professional who can assess their individual circumstances. Neither the author nor the magazine assumes any liability for actions taken based on the information contained herein.